



# PUBLIC NOTICE

**Federal Communications Commission**  
**445 12<sup>th</sup> St., S.W.**  
**Washington, D.C. 20554**

**News Media Information: 202-418-0500**  
**Internet: [www.fcc.gov](http://www.fcc.gov)**  
**TTY: 888-835-5322**

**DA 16-686**  
**June 21, 2016**

## **PRACTICE AND MOCK AUCTION INFORMATION FOR THE FORWARD AUCTION (AUCTION 1002)**

**GN Docket No. 12-268**  
**AU Docket No. 14-252**  
**WT Docket No. 12-269**

1. By this Public Notice, the Incentive Auction Task Force (Task Force) and the Wireless Telecommunications Bureau (Bureau) provide information regarding the practice and mock auctions for the forward auction (Auction 1002) of the broadcast television spectrum incentive auction. The Task Force and Bureau will provide one practice auction opportunity and conduct one mock auction for the clock phase of Auction 1002 for all applicants listed as qualified to bid in the *Qualified Bidders Public Notice*, which will be released after the deadline for receipt of upfront payments on July 1, 2016.<sup>1</sup> The practice and mock auctions will allow qualified bidders to become familiar with the Auction System and to ask Commission auction and technical support staff questions about the system and auction conduct. The Task Force and Bureau strongly recommend that all qualified bidders participate in the practice and mock auctions for the forward auction.<sup>2</sup>

2. The *Qualified Bidders Public Notice* will also announce the specific dates and times for the clock phase practice and mock auctions, as well as the start of the initial round of bidding in the clock phase of the forward auction itself. Bidding in the initial round of the clock phase of Auction 1002 will begin no earlier than 15 business days after release of the *Qualified Bidders Public Notice*.<sup>3</sup> The dates for the practice and mock auctions will be scheduled to provide qualified bidders with sufficient time to become familiar with the Auction System prior to the beginning of actual bidding in the clock phase.

3. The balance of this Public Notice provides information about the clock phase practice and mock auctions so that potential bidders can consider in advance how they can best use these opportunities. Participants will have the ability to use all features of the Auction System, just as in the actual clock phase bidding, including the recently-added bid upload feature for all rounds<sup>4</sup> (the

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<sup>1</sup> See 99 Applications to Participate in the Forward Auction (Auction 1002) of the Broadcast Television Spectrum Incentive Auction Deemed to Be Complete, AU Docket No. 14-252, GN Docket No. 12-268, WT Docket No. 12-269, Public Notice, DA 16-503, 3, para. 7 (WTB May 12, 2016); Upfront Payment Instructions for the Forward Auction (Auction 1002) of the Broadcast Television Spectrum Incentive Auction; Updated Appendix on Upfront Payment Amounts; Upfront Payments Due By July 1, 2016, AU Docket No. 14-252, GN Docket No. 12-268, WT Docket No. 12-269, Public Notice, DA 16-625, 1, para. 1 (WTB June 8, 2016) (*Upfront Payment Public Notice*).

<sup>2</sup> The Task Force and Bureau will also provide a practice auction opportunity and conduct one mock auction for all winning bidders of the actual clock phase of Auction 1002 prior to the start of the assignment phase of the forward auction. Additional information related to the practice and mock auctions for the assignment phase will be made available at a later time. They will be scheduled sufficiently in advance of actual bidding in the assignment phase so that participants have adequate time to become familiar with them before the beginning of that phase.

<sup>3</sup> See, e.g., *Upfront Payment Public Notice*, at 5, para. 18.

<sup>4</sup> We recently released updated specifications for the forward auction file formats and provided new sample data files, including specifications that will enable bidders to use the newly-added bid upload feature for rounds after the initial round of the clock phase. See *Wireless Telecommunications Bureau Updates Broadcast Incentive Auction*

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specifications for which were updated on June 15, 2016).<sup>5</sup> The scenarios that will be used for the practice and mock auctions are designed so that within several rounds of bidding, bidders will experience key forward auction events or benchmarks. Commission staff may place bids if necessary to further promote this objective.

4. For the clock phase practice and mock auctions, each qualified bidder will be assigned a randomly-selected set of Partial Economic Areas (PEAs) on which it may bid and eligibility for a specified number of bidding units based on the bidding units associated with these assigned PEAs. A qualified bidder's assigned PEAs and eligibility in the practice and mock auctions will not represent the actual PEAs for which it is qualified to bid or its eligibility based on its actual upfront payment. The bidding scenarios that will be used for the practice and mock auctions, explained in more detail below, are designed to provide experience with the Auction System, but will not predict actual bidding in the clock phase of the forward auction.

## I. PRACTICE AUCTION

5. The practice auction will be conducted using two pre-defined scenarios. Scenario 1 will allow qualified bidders to use the clock phase bidding system before and after the spectrum reserve split.<sup>6</sup> Scenario 2 will allow qualified bidders to use the clock phase bidding system during an extended round.<sup>7</sup> Scenario 1 will begin with round 1 and proceed through several regular rounds of bidding. Scenario 2 will be configured to begin with an extended round that was triggered during processing of the previous round's hypothetical bids. Only qualified bidders that participate in Scenario 1 will be provided a separate link to access and participate in Scenario 2.

### A. Scenario 1: Before and After the Spectrum Reserve Split

6. *PEA Selections.* For Scenario 1, each Auction 1002 qualified bidder will be assigned the same number of PEAs on which to bid that it selected on its FCC Form 175 application, up to a maximum of 100 PEAs. For example, if a qualified bidder selected 50 PEAs on its application, it will be assigned 50 PEAs for Scenario 1. If a qualified bidder selected more than 100 PEAs on its application, it will be assigned 100 PEAs for Scenario 1.

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*File Formats for Forward Auction Clock Phase, Including File Formats for Bid Upload Feature for All Rounds*, AU Docket No. 14-252, GN Docket No. 12-268, WT Docket No. 12-269, Public Notice, DA 16-636 (WTB June 8, 2016).

<sup>5</sup> The update corrects one of the file upload rejection criteria for all rounds after the initial round to be consistent with the bidding procedure requirement that multiple bids for any one product must be of the same bid type. See the [Forward Auction Clock Phase File Formats \(updated June 15, 2016\)](#) link in the Data section of the Auction 1002 website ([www.fcc.gov/auctions/1002](http://www.fcc.gov/auctions/1002)).

<sup>6</sup> See *Broadcast Auction Scheduled to Begin March 29, 2016; Procedures for Competitive Bidding in Auction 1000, Including Initial Clearing Target Determination, Qualifying to Bid, and Bidding in Auctions 1001 (Reverse) and 1002 (Forward)*, Public Notice, 30 FCC Rcd 8975, 9082, para. 225 (2015) (*Auction 1000 Bidding Procedures Public Notice*) (explaining that “[a]t the time the final stage rule is met, Category 1 blocks in each PEA will be split into separate reserved and unreserved categories, with a separate price clock for each new category”).

<sup>7</sup> In the actual forward auction, an extended round will be implemented only when bidding activity has stopped—that is, if demand does not exceed the available supply—for Category 1 blocks in the 40 high-demand markets and the final stage rule is not satisfied. If the price increment necessary to meet the final stage rule is greater than 20 percent, there will be no extended round, and the auction will move to a new stage. See *Auction 1000 Bidding Procedures Public Notice*, 30 FCC Rcd at 9083, para. 228; *Application Procedures for Broadcast Incentive Auction Scheduled to Begin on March 29, 2016; Technical Formulas for Competitive Bidding*, Public Notice, 30 FCC Rcd 11034, Appendix G (WTB 2015) (*Auction 1000 Application Procedures Public Notice*) (modified by Erratum (rel. Mar. 4, 2016)).

7. Each qualified bidder's assigned PEAs will include three PEAs in the high-demand markets (PEAs 1–40),<sup>8</sup> unless it selected fewer than three PEAs in total on its application. If a qualified bidder selected fewer than three PEAs on its application, it will be assigned the same number of PEAs in the high-demand markets as it selected on its application in total. For example, if a qualified bidder selected two PEAs in total, it will be assigned two PEAs in the high-demand markets for Scenario 1, regardless of whether the PEAs selected on its application are in the high-demand markets. Thus, each qualified bidder will be assigned at least one PEA in the high-demand markets for Scenario 1. The PEAs in the high-demand markets as well as the remaining markets (PEAs 41–416) will be randomly selected for each qualified bidder.<sup>9</sup>

8. *Bidder Attributes.* For Scenario 1, each qualified bidder will be assigned eligibility for bidding units equal to the number of bidding units per spectrum block for each of its assigned PEAs times two—i.e., sufficient initial (maximum) eligibility to bid on two spectrum blocks in each PEA assigned to that bidder. Each qualified bidder that claimed eligibility for a bidding credit on its complete application will be able to bid in Scenario 1 with the bidding credit it claimed. In addition, each qualified bidder will be eligible to bid on reserved spectrum in each of its assigned PEAs, regardless of whether it indicated that it is eligible to bid on reserved spectrum in its application.<sup>10</sup>

9. *Auction Configuration and Round Structure.* The generic blocks offered in each assigned PEA for Scenario 1 will match those to be offered in the clock phase of the forward auction as listed in Appendix A of the *Initial Clearing Target Public Notice*.<sup>11</sup> Similarly, the minimum opening bids for Scenario 1 will be set at \$5,000 per bidding unit as listed in Appendix F of the *Upfront Payment Public Notice*.<sup>12</sup> The bid increment will be set at 10 percent.<sup>13</sup> In all other respects (e.g., required activity level of 95 percent), the procedures for the start of the clock phase of Auction 1002 will be applicable in Scenario 1.<sup>14</sup> There will be a preview period before the first round of bidding in Scenario 1 to allow qualified bidders to see their practice auction PEA and bidding eligibility assignments.

10. *Final Stage Rule and Spectrum Reserve Split.* To allow qualified bidders to experience the transition to the spectrum reserve split during Scenario 1, we will set a hypothetical benchmark price and hypothetical clearing costs at a relatively low amount, which will ensure satisfaction of a hypothetical final stage rule within a few rounds of bidding. After the split has occurred, bidding will continue for at least one round to allow bidders to familiarize themselves with bidding after the split.

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<sup>8</sup> See *Auction 1000 Bidding Procedures Public Notice*, 30 FCC Rcd at 9004, para. 43 n.647.

<sup>9</sup> Consistent with the anonymous bidding procedures in effect for Auction 1002, PEAs will be confidentially assigned to each qualified bidder through the Auction System environment that will be used for the practice and mock auctions.

<sup>10</sup> Since no applicant is ineligible for reserved spectrum in every PEA, this will provide all participating qualified bidders experience with bidding for such spectrum after the split.

<sup>11</sup> See *Initial Clearing Target of 126 Megahertz Set for the Broadcast Television Spectrum Incentive Auction; Bidding in the Clock Phase of the Reverse Auction (Auction 1001) Will Start on May 31, 2016*, Public Notice, 31 FCC Rcd 3863, Appendix A (WTB 2016) (*Initial Clearing Target Public Notice*).

<sup>12</sup> See *Auction 1000 Bidding Procedures Public Notice*, 30 FCC Rcd at 9070, para. 189; *Upfront Payment Public Notice*, at Updated Appendix F.

<sup>13</sup> In contrast, at the start of the clock phase of Auction 1002, the bid increment will be set at five percent. See *Auction 1000 Bidding Procedures Public Notice*, 30 FCC Rcd at 9071, para. 193.

<sup>14</sup> See generally *Auction 1000 Bidding Procedures Public Notice*. Consistent with the procedures established for the clock phase, in any given round, a qualified bidder may bid on any combination of available blocks in its randomly assigned PEAs, provided that the total number of bidding units associated with the bids does not exceed its current eligibility.

## B. Scenario 2: Extended Round

11. *PEA Selections.* For Scenario 2, each qualified bidder that participated in Scenario 1 will be assigned a different hypothetical set of PEAs using the same criteria used for Scenario 1, except that if the bidder selected fewer than three PEAs in the high-demand markets on its application, it will be assigned the same number of PEAs in the high-demand markets as it selected on its application, while qualified bidders that selected three or more PEAs in the high-demand markets will be assigned three. A qualified bidder that did not select any PEAs in the high-demand markets on its application will not be able to bid during the extended round of Scenario 2, but will still be able to log into the Auction System, view the results of the extended round, and, if the final stage rule is met as a result of the extended round, participate in bidding in the next round. Since bidders that did not select high-demand PEAs in regular rounds will not participate in bidding in an extended round, this approach will simulate such a bidder's experience in the actual clock phase of the forward auction.

12. *Bidder Attributes.* Eligibility for bidding units will be assigned as in Scenario 1, but based on the PEAs assigned to each qualified bidder for Scenario 2. Other bidder attributes, including bidding credit eligibility and reserved spectrum eligibility, will be the same for qualified bidders under Scenario 2 as they are under Scenario 1.

13. Because Scenario 2 will start with a hypothetical extended round, qualified bidders will have processed demand from the outset.<sup>15</sup> Processed demand at the start of Scenario 2 for all qualified bidders participating in this scenario will be such that aggregate demand is equal to supply for each Category 1 product in a high-demand market. A qualified bidder that is assigned three PEAs in the high-demand markets in Scenario 2 will have processed demand of two blocks in one of the PEAs and processed demand of one block in each of the other two PEAs. A qualified bidder that is assigned two PEAs in the high-demand markets will have processed demand of two blocks in one of the PEAs and processed demand of one block in the other PEA. A qualified bidder that is assigned one PEA in the high-demand markets will have processed demand of two blocks in that PEA.

14. *Auction Configuration and Round Structure.* The procedures for the extended round of the clock phase of Auction 1002 will be applicable in Scenario 2.<sup>16</sup> There also will be a preview period before the first round of Scenario 2 to allow qualified bidders to see their assigned PEAs and bidding eligibility, as well as their processed demand.

15. *Final Stage Rule and Spectrum Reserve Split.* If the final stage rule is met as a result of the extended round, thereby triggering the spectrum reserve split, qualified bidders in Scenario 2 will be provided an additional opportunity to bid after the spectrum reserve split occurs, regardless of the number of PEAs they selected in the high-demand markets on their applications.

## II. MOCK AUCTION

16. The clock phase mock auction will provide qualified bidders with a final opportunity, after their experience during the practice auction, to bid in simulated clock phase rounds before and after the spectrum reserve split in order to become more familiar with the Auction System and to ask Commission staff questions they may have in advance of the actual clock phase of Auction 1002. The mock auction will be conducted using the same pre-defined scenario as Scenario 1 of the practice auction.

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<sup>15</sup> See *Auction 1000 Application Procedures Public Notice*, 30 FCC Rcd at 11182, Appendix G (explaining that processed demand is the quantity of a bidder's requested demand that is applied); see also *Auction 1000 Bidding Procedures Public Notice*, 30 FCC Rcd at 9084, para. 230.

<sup>16</sup> See generally *Auction 1000 Bidding Procedures Public Notice*.

17. *PEA Selections.* For the mock auction, each Auction 1002 qualified bidder will be assigned a different set of hypothetical PEAs using the same criteria used for Scenario 1 of the practice auction.

18. *Bidder Attributes.* Bidder attributes, including eligibility for bidding units, bidding credit eligibility, and reserved spectrum eligibility, will be assigned on the same basis for qualified bidders in the mock auction as they are for qualified bidders in Scenario 1 of the practice auction.

19. *Auction Configuration and Round Structure.* The mock auction will be configured and conducted under the same procedures and parameters as Scenario 1. As with Scenario 1, there will be a preview period before the first round to allow qualified bidders to see their PEAs and bidding eligibility assignments.

### III. CONTACT INFORMATION

20. For further information on the practice and mock auctions, contact Melissa Dunford, [Melissa.Dunford@fcc.gov](mailto:Melissa.Dunford@fcc.gov), (202) 418-0617, or Jonathan McCormack, [Jonathan.McCormack@fcc.gov](mailto:Jonathan.McCormack@fcc.gov), (202) 418-1065. For general auction questions, contact Linda Sanderson, [Linda.Sanderson@fcc.gov](mailto:Linda.Sanderson@fcc.gov), (717) 338-2868. For forward auction legal questions, contact Leslie Barnes, [Leslie.Barnes@fcc.gov](mailto:Leslie.Barnes@fcc.gov), (202) 418-0660, or Valerie Barrish, [Valerie.Barrish@fcc.gov](mailto:Valerie.Barrish@fcc.gov), (202) 418-0660. Press contact: Charles Meisch, [Charles.Meisch@fcc.gov](mailto:Charles.Meisch@fcc.gov), (202) 418-2943.

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